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MASSACHUSETTS INDUSTRIAL FINANCE AGENCY

THE STATE'S INVESTMENT BANKING PARTNER

FOR GROWING BUSINESSES

Since 1978, the Massachusetts Industrial Finance Agency has been a driving force in

the revitalization of the Massachusetts economy. As an independent public agency,

MIFA has issued over \$4 billion in Industrial Development Bonds – equivalent to

\$1.7 million invested every business day.

More than 2,100 industrial expansion and commercial development projects

have benefited directly. MIFA financing has spearheaded creation of an estimated

76,000 jobs – one every 15 minutes of the workday.

In the past 18 months, MIFA has dramatically transformed and expanded its

role, reflecting the changing nature of the economic development challenge and the

impact of federal tax reform.

MIFA no longer focuses solely on tax-exempt bond funding. Today, the Agency is a bridge between private enterprise and participants in larger domestic and international capital markets.

In that role we design and issue an array of financing instruments for asset-based expansions that provide advantageous terms for our business borrowers and also find ready acceptance among investors. Those expanded functions demand a new level of knowledge, inventiveness and adaptability.

MIFA's expanded role was formally established in July 1987, when Governor

Michael S. Dukakis signed into law a bill that broadens MIFA's borrowing powers,

enabling the Agency to act as the nation's first state investment bank.

Under our new mandate, MIFA will have a greatly enhanced ability to contribute

to economic development and job creation in the Commonwealth. We have set

the stage to do so.

Great uncertainty clouded our future only 18 months ago. It was clear that federal tax reform would have an enormous impact on our traditional tax-exempt financing structure, but the shape and extent of change was unknown.

We proceeded on two assumptions. First, that Massachusetts' economic vitality did not diminish the need for attractive financing solutions for growing companies. Second, that MIFA would serve most effectively by actively seeking new sources of capital and new financing mechanisms.

Our strategic review made it clear that:

- The next generation of economic development financing would be focused on taxable bonds.
- The future source of fundings would be the public markets in the U.S. and abroad.
- MIFA would need to broaden its operations, its expertise and its authority to operate successfully in these new arenas.

As a result, work at MIFA for the past 18 months has centered on testing new financing structures and finding new sources of capital.

We have made substantial progress. Within the past year, MIFA introduced a number of new programs and initiatives to help growing Massachusetts companies gain access to capital. Our activities included:

- Launching one of the country's prototype Taxable Industrial Development Bond (IDB) Programs and issuing three national "firsts": the first taxable IDB composite pool for small companies, the largest single publicly offered taxable IDB, and the first publicly sold taxable IDB for a commercial project.

- Building a network of relationships with leading financial institutions, creating a source of expertise available to the businesses we assist.
- Completing significant credit enhancement arrangements with highly rated international banks to back bonds for Massachusetts businesses for a total of \$100 million in our first six months of effort.
- Streamlining the pooling of bonds into single issues, creating needed scale and reducing issuance costs for each borrower.
- Completing \$362 million in IDB financings despite the paralyzing uncertainty created by the federal tax reform legislative process.
- Introducing three targeted direct loan funds and lending over \$13 million from these funds to meet specific economic development and industry needs.
- Celebrating – with Governor Michael S. Dukakis, members of the state legislature and officials of hundreds of MIFA-assisted businesses – the Agency's \$4 billion mark in total financings.

The year was highlighted by the passage of a bill which encompassed the most significant changes to MIFA since the creation of the Agency in 1978. The bill broadened the Agency's borrowing authority, establishing MIFA as the investment banking partner for growing businesses in the Commonwealth.

MIFA's new legislation, sponsored by Representative Kenneth M. Lemanski:

- Expands greatly the range of businesses that can use MIFA financing.
- Allows the combination of taxable bond financing programs by state authorities and private business.
- Provides access to international markets, especially the Eurobond market.

- Yields greater cost effectiveness by pooling financings and going to the market with large-scale bond issues.
- Makes possible the coordination of debt issuing programs of other Massachusetts authorities through MIFA, unifying borrowing for the state under one strong, recognizable name.

With these broadened powers, we can continue to build on our record as a catalyst for investment in the state.

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At the start of 1987, we launched the Taxable IDB Program as an alternative to tax-exempt funding for industrial and commercial expansion projects.

Although major corporations have routinely sold taxable securities to investors in both the commercial paper and long term bond markets, until recently, it was uncharted territory for smaller businesses. Gaining access to these sources is difficult, if not impossible, for smaller companies with limited histories, little recognition among investors and relatively small financing needs. But by working with MIFA, such companies can overcome those factors and draw on deep sources of capital.

Our initial efforts in these areas received considerable attention from other public finance authorities and the national media. Yet the real importance of our ability to create "firsts" and gain wide recognition is market awareness. New financing initiatives that can be placed successfully are a foundation for larger bond issues. The MIFA prototypes issued thus far have been successful, and have gained notice. Demand for our

new products is growing, with strong investor interest. The next challenge is to increase volume. The July 1987 legislation, which allows MIFA to issue bonds for both private enterprise and state authorities, provides the breadth for us to assemble the large financings that the market favors.

With a \$4 billion track record, MIFA is well known in Massachusetts and U.S. markets. We have now extended our reach by establishing the personal relationships needed to achieve acceptance in European markets.

Representatives of MIFA's board and management traveled to Europe's key financial centers with a delegation of top state officials. In addition, numerous meetings have been held with other major European and Japanese financial institutions. Many of these institutions are among the highest rated banks in the world, with the strength and stature to lower interest rates for even small companies in Massachusetts.

The results of these efforts have already been demonstrated in bond issues and letter of credit (L/C) agreements completed in recent months with international banks. But the real fruits of these efforts will be seen in the future, as MIFA's reputation as an issuer of debt spans the global capital markets.

We have also intensified efforts in specialized fundings, such as mortgage insurance and direct loans. Some \$13 million was advanced in targeted lending programs for the seafood industry, child care facilities and through the Thrift Fund. In many instances, MIFA itself supplies the capital.

The new focus of MIFA's activities has required that we reshape our organization. The creation of four distinct departments — product development, project finance,

marketing, and administration and finance – responds to the Agency's evolution. So too does the significant investment in data processing equipment and training that keeps us in close touch with borrowers and capital markets alike.

Our decision to form strong partnerships with leading capital market institutions had primary organizational importance. While our mission remains unchanged, the nature of our new programs demands extreme market awareness and insight. The Agency has put together a team with outstanding experience to advise on market conditions, and to structure, issue and manage the distribution of securities.

Last year, The First Boston Corporation – one of the largest investment banking concerns in the world – became MIFA's financial advisor for composite bond program development. First Boston, whose second largest U.S. office is located in Boston, is known throughout European markets for its investment banking partnership with Credit Suisse.

Shortly thereafter, we selected Bear, Stearns & Co. Inc. as primary underwriter of MIFA's publicly sold pooled bond issues. The significance of these partnerships cannot be underestimated – they represent a source of expertise now available, through MIFA, to every business in the state.

There were key changes in MIFA's Board of Directors during the year as well. Robert L. Beal was appointed chairman by Governor Michael S. Dukakis during 1986. Mr. Beal previously served as vice chairman of the board and has been active in guiding the Agency from its beginning.

Robert A. Chadbourne, a pioneer in the state's Industrial Development Bond program and an original board member, retired after three years as MIFA's chairman. That service was a small fraction of the untiring commitment and keen insight that Bob Chadbourne has given to the small business community in the Commonwealth.

Joseph D. LoBello, Executive Vice President of Bank of New England-West in Springfield, was named to the Agency Board late in 1986.

Perhaps the most important ingredient of the past year has been adaptability. Financial technologies, markets, products and tax laws have changed remarkably in a short period of time. By being innovative and aggressive – and even a little audacious – we have quickly adapted to those changes to serve the needs of Massachusetts businesses.

We are confident that regardless of what is in store, we will be well positioned and we will continue to be catalysts for business expansion in the Commonwealth.



Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. L. Beal". The signature is fluid and cursive.

Robert L. Beal
Chairman of the Board

A handwritten signature in dark ink, appearing to read "B. T. Carty". The signature is fluid and cursive.

Brian T. Carty
Executive Director

August 31, 1987

MIFA links Main Street businesses to Wall Street capital through the design

of innovative financing programs and the Agency's reputation in the public

credit markets.

In 1986, the Congressional process of federal tax reform threatened traditional tax-exempt funding with extinction and placed the role of public finance agencies in jeopardy.

For MIFA and its small business constituency, accustomed to a straightforward process of tax-exempt funding below the prime rate, massive cutback or outright elimination of tax-exempt Industrial Development Bonds posed a clear danger.

MIFA attacked the challenge, turning it into new opportunity. The Agency sought and found new sources of funds and created innovative financing mechanisms. In fact, the silver lining in tax reform's reduction of tax-exempt IDB financing has been the accelerated development of these new programs.

MIFA is now able to offer access to far broader capital markets with a greater variety of financing possibilities. Dealing in these new arenas necessitates a clear understanding of the dynamics within the public bond markets and heightened sensitivity to market volatility.

One devastating effect of the 1986 tax bill was the removal of incentives for commercial banks to purchase IDBs, which forced them out of the marketplace. Historically, commercial banks had bought over 85% of MIFA's tax-exempt bonds. As a

result of tax reform, a primary focus of MIFA's activities has been to identify new buyers for our bond issues.

MIFA turned to the public credit market, where institutions such as pension funds, mutual funds and insurance companies, as well as individual investors, form a very broad and deep pool of capital. It is to these sources on Wall Street that the nation's largest and most credit worthy corporations turn for debt financing, selling corporate bonds to finance capital expansions.

To most individuals and smaller businesses, the public credit market is a great unknown. There is no Dow Jones Average and no "broad tape" listing of trades as in the stock market. Yet the public bond markets are far larger. Public markets also allow far greater flexibility in managing the terms and maturities of financings.

A year ago, the public credit market was uncharted territory for public finance agencies that serve small business borrowers. The prime barriers to entry are size, credit history and recognition — each of which is being overcome by MIFA.

Size of financings in the public credit market is generally many millions of dollars and occasionally billions. MIFA financings have historically





have provided a new growth medium for Massachusetts businesses.

averaged about one and one-half million dollars – a large sum for a growing business but tiny in the public markets. MIFA has worked to overcome that barrier through pooling.

Pooling is a financial concept common to other financial instruments, such as mutual funds and mortgage-backed securities. Pooling smaller items – stocks or mortgages – together creates size and spreads the risk for investors.

The pooling of smaller bonds into one larger offering is an important new structural financing method for MIFA. The Agency issued more IDB pools in the past year than in the previous eight years.

The recent pools are, moreover, structured as repeatable programs, which will help streamline the bond issuance process and allow MIFA to accommodate increased volume.

Larger sized financings attract more competition for the bonds, which means a lower interest rate for the borrowers. The issuance costs and fees associated with selling bonds in the public market are shared by all participants, lowering the cost for each.

Under the July 1987 legislation, MIFA now has the ability to pool public and private issues in a single financing, which will allow larger

bond issues and further ease access to sources such as the Eurobond market, where \$100 million is considered the threshold for entry.

Credit history is a second barrier to the public markets for smaller businesses.

The companies MIFA has financed have proved to be strong growth performers and job creators, although they tend to be relatively small and unknown – particularly outside Massachusetts. When bonds are sold publicly on Wall Street or other global financial centers, the strength of a company's credit history or rating directly affects the interest rate the company pays on the capital it borrows.

A critical new component of MIFA's financings is credit enhancement, which uses the guarantee of a strong financial institution to support a bond issue. MIFA has formed relationships with Massachusetts-based, national and international financial institutions that have the high rating and stature needed for credit enhancement.

The initial results of MIFA's efforts have been extremely encouraging. In just six months, three major European banks – each among the top-rated financial institutions in the world – have entered into agreements with MIFA to issue letters of credit (L/C) to back bonds for growing businesses in Massachusetts.

MIFA's \$50 million L/C agreement with AAA-rated Rabobank Nederland marked the first time an international bank supported a public program that exclusively serves smaller companies. AA minus-rated Algemene Bank Nederland N.V. and Aaa-rated Barclays Bank PLC have also committed backing for MIFA bond issues. These agreements have dramatically lowered costs of borrowing and provided prototypes for future offerings.

In addition, Massachusetts banks have also been active in supporting MIFA bond issues, providing credit enhancement and, in some instances, standby letter of credit services for the international agreements.

Recognition in the marketplace is also a vital factor in gaining investor interest and confidence. Fortune 500 companies are well known in the public market. Smaller companies, such as those which MIFA has traditionally assisted, are unknown entities whose bonds are extremely difficult to place in the public market. MIFA's name is known; our \$4 billion track record assures recognition in the U.S. for the Agency's bond issues.

Broader recognition has also been created through MIFA initiatives to meet with leading European and Japanese financial institutions. The expanded powers offered by the July

1987 legislation, combined with this improved international visibility, will lead to great opportunities for financing in global capital markets.

MIFA's thrust in the public credit market has been augmented by efforts to distribute bond issues as "private placements" – bonds purchased by a single investing institution. For example, the Massachusetts Pension Reserves Investment Management (PRIM) fund has agreed to purchase bonds directly from MIFA. In this way, PRIM will be investing directly in projects of public purpose through MIFA issues – Massachusetts investing in Massachusetts.

Many commercial banks – no longer bond purchasers – have expressed interest in placing MIFA issues privately, a means of distribution that will become increasingly important in the future.

Expertise is vital to operating in these arenas of public finance. Sensitivity to the marketplace, timing of bond sales and structure of bond issues have a dramatic impact on our borrowers' interest rates. This, in turn, affects their ability to fulfill their expansion plans and create job opportunities.

MIFA now has the organization and the capability to serve in its new role as the public sector investment bank for Massachusetts business and to help sustain the momentum of economic growth.

TAXABLE BONDS

In February 1987, MIFA took a small but critical step by issuing a \$7.8 million pool of taxable IDBs on behalf of three North Shore companies. A taxable IDB pool had never before been sold. Even MIFA's underwriters were unsure that the market would accept this new instrument.

On the morning of the sale, doubts remained. Then the issue was announced and sold out in two hours. A critical test had been passed with flying colors. This small bond issue became big news:

- It proved MIFA could interest large investors – who normally buy only the issues of larger companies – in small business credits.
- It demonstrated MIFA could successfully structure an issue with innovative advantages to the borrowers. The bonds, with credit enhancement from Essexbank, were issued with a floating interest rate. The borrowers, however, retained an option to convert to a fixed rate.
- It showed MIFA could obtain advantageous interest rates, with total cost to borrowers near the prime rate.

Tremendous media coverage and national interest followed this sale, and with good reason, for taxable IDBs offer many advantages:

- Exemption from state taxes holds down interest rates and allows MIFA to target potential purchasers who can use that benefit.
- Taxable IDBs can be used for commercial real estate, refinancing and warehouse and distribution projects now excluded from tax-exempt funding – in addition to a wide variety of industrial uses.
- Interest rates are somewhat higher than for tax-exempts but still significantly lower than conventional financing sources.
- Because IRS regulations are not a focal point, issuance costs are lower and the documentation process is faster.

Perhaps the major benefit of taxable IDBs is that no limit on size exists. MIFA can continue to serve the small business borrower who has traditionally turned to the Agency. In addition, MIFA is able to work with enterprises whose size or financing needs have been too great to meet tax-exempt funding rules. MIFA can now aid companies of any size in public purpose, job creating expansions.

A second taxable IDB issue provided \$17.2 million for Boston Scientific Corporation, with backing from Aaa-rated Barclays Bank PLC. Boston Scientific, a leader in least invasive surgical instrumentation and medical technology, used bond proceeds to acquire and improve real estate for

Pooling bonds of small companies into one sizable issue for large capital markets

allows Massachusetts' growing business to borrow at Fortune 500 company rates

and terms.

three manufacturing facilities and to restructure debt. The issue – the largest of its type in the U.S. – sold in June at a six-year fixed rate only 90 basis points higher than the prevailing rate for Treasury notes of comparable maturity.

In July 1987, MIFA issued another taxable bond, this time for a key commercial project in downtown Pittsfield.

With tax-exempt funding, MIFA had played a pivotal role in the state's program to assist commercial development in older downtown areas. Between 1979 and 1986, more than \$600 million in bonds had been issued for some 300 revitalization projects. But the 1986 federal tax law eliminated commercial projects from eligibility for tax-exempt financing.

MIFA's financing for Tierney Properties Inc. in July 1987 was the first publicly sold taxable IDB for a commercial project in the country. Tierney Properties is using the proceeds of the \$7.5 million bond for both construction and permanent financing of Bank of New England Plaza, a 109,000 square foot, 5-story building. Credit enhancement was provided by the Bank of New England, N.A.

The tax bill could have provided a knockout blow to MIFA's programs. Instead, with creative effort, MIFA's capabilities have grown. With taxable funding, MIFA can still handle the traditional small business and commercial development financings cut off by tax reform and, in addition, can tackle projects of greater scope.

TAX-EXEMPT BONDS

MIFA has responded to tax-exempt volume limits and market disruption by making the best use of what is now a scarce resource.

The tax reform impact was great. Not only were commercial banks – the primary buyers – taken out of the market, but tax-exempt issue volume was capped at half the 1985 limit. It will be cut by 50% again for 1988 and 1989. The new law also tightens the definition of "manufacturing" to include only tangible products, excluding such activities as warehouse and distribution and commercial real estate.

During 1986, despite massive uncertainty, MIFA was able to issue \$200 million in tax-exempt IDBs. The Agency has also developed and implemented a strategy to maximize the benefit of MIFA's remaining issuance capability.

A major step was taken with our \$50 million letter of credit agreement





Winning the tax-reform war
New legislation to protect a share of capital in business

MIFA Helps Small Company Expand
Massachusetts agency is helping small businesses expand their market overseas

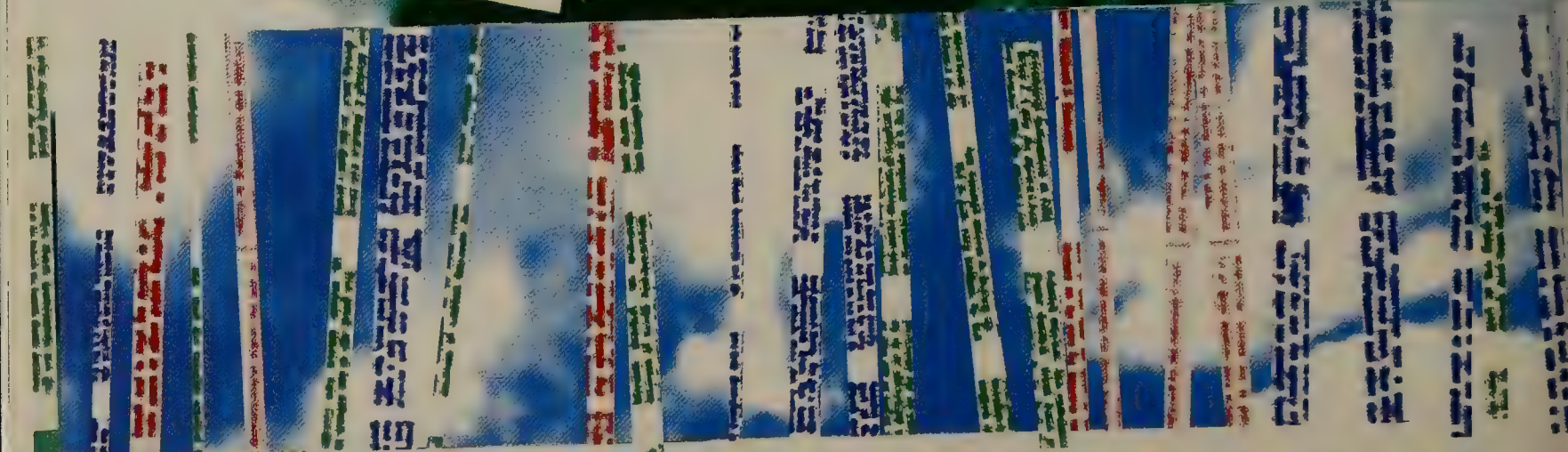
Massachusetts Seizes New Opportunities
The state is looking for ways to attract new investment and create jobs

Law expands MIFA borrowing power
The new law allows the agency to borrow up to \$10 million

MIFA's expansion opens European door
The agency is now able to help companies enter the European market

Massachusetts agency ties new bond on Wall Street
The agency is raising \$10 million to help small businesses

Massachusetts Offers Loans Day Care at Work
The state is offering loans to help companies provide day care for their employees



MIFA initiatives in entering taxable markets and expanding direct loan programs

have created a growing menu of financing alternatives for business borrowers.

with AAA-rated Rabobank Nederland, a \$60 billion international bank. In December 1986, we drew on this commitment in a \$21.4 million tax-exempt IDB pool for 12 companies. With the backing of Rabobank, this security sold as a AAA-rated security on the public credit market – a rating that insures investor interest and reduces the borrower's interest rate. At the time, it was the largest pool of its kind in the country.

A second pool, issued in May for \$11.5 million, assisted seven companies, including a Fall River fabrics business burned out in a January fire. The company was able to rebuild on an adjacent site and save 300 jobs.

Central to the pools is the participation of Massachusetts banks, which issue standby letters of credit, monitor and service the loans, and retain the central banking relationship with their customers.

MIFA is still issuing tax-exempt bonds to allowable limits, with strict eligibility criteria that emphasize job creation. However, the future of tax-exempt funding remains unclear.

CURRENT REFUNDING PROGRAM

Tax reform also caused complications with existing IDB issues.

Many tax-exempt bonds issued after 1981 contained "gross-up" clauses requiring bondholders to raise interest rates if and when their corporate tax rates were lowered. Those clauses were triggered by the 1986 tax bill. MIFA undertook a review of borrowers records, finding gross-up provisions in almost 50% of Agency bonds. Some borrowers were threatened with increases of 2-3% in their interest rates.

Other companies that received tax-exempt financing during the early 1980's found themselves paying above market interest rates.

For both categories, the tax bill provided a solution by allowing refunding on a tax-exempt basis. MIFA developed its Current Refunding Program, allowing affected companies to roll over those obligations into new tax-exempt bonds and thus take advantage of changing market conditions. The Agency has already completed over \$100 million in refundings and has current refunding pools under development.

DIRECT LOANS

Even in the most vibrant economy, prosperity is not evenly spread. As a result, MIFA has sought to aid specific regions and industries. To do this, MIFA has put its own balance sheet on the line. Leveraging off the success of our bond financing programs, MIFA has capitalized direct loan funds that are highly targeted to particular needs.

MIFA has come to the aid of the seafood industry with a special purpose loan fund. The seafood industry is a traditional mainstay of the state's economy, involving \$1 billion annually in economic activity and 12,000 jobs. In recent years, seafood processors have found difficulty in obtaining funds for plant and equipment modernization and investment in new technology.

The Agency is demonstrating its commitment to the long-term health of the seafood industry with a revolving loan fund, utilizing \$1.5 million in MIFA capital to help improve the industry's efficiency and competitive posture. Loans already issued have been used to apply new technology to create shellfish products, obtain computer capability to aid in product distribution, modernize storage facilities and increase production capacity. The current loan fund is almost fully allocated and MIFA is seeking new funds.

Our Child Care Facilities Loan Fund has been a pioneer in supporting expansion of the workforce by improving the affordability and availability of child care. Capitalized by MIFA, it is also the largest such fund in the U.S. The program, designed to encourage developers and corporations to construct on-site child care facilities for their employees, had been limited under our old

statute. Under our new statute, MIFA is exploring ways to expand eligibility to stimulate new, worthwhile projects.

MIFA is also designated to originate and service loans through the Thrift Institutions Fund for Economic Development, a \$100 million pool of capital funded by the state's 276 thrift institutions. This non-revolving fund focuses on areas of the state that are still experiencing higher-than-average unemployment rates. MIFA has originated nearly \$12 million in loans from the Thrift Fund.

Today, MIFA is moving ahead on many fronts. Creating new financing vehicles. Finding new funding sources. Expanding the Agency's reach in worldwide financial markets. Bringing affordable financing to a greater number of Massachusetts businesses.

We are now the nation's first state investment bank, poised for greater contributions to continuing economic development and job creation for Massachusetts.

Since 1978, MIFA has issued 2140 Industrial Development Bonds totaling

\$4,082,624,010, creating an estimated 76,729 jobs.

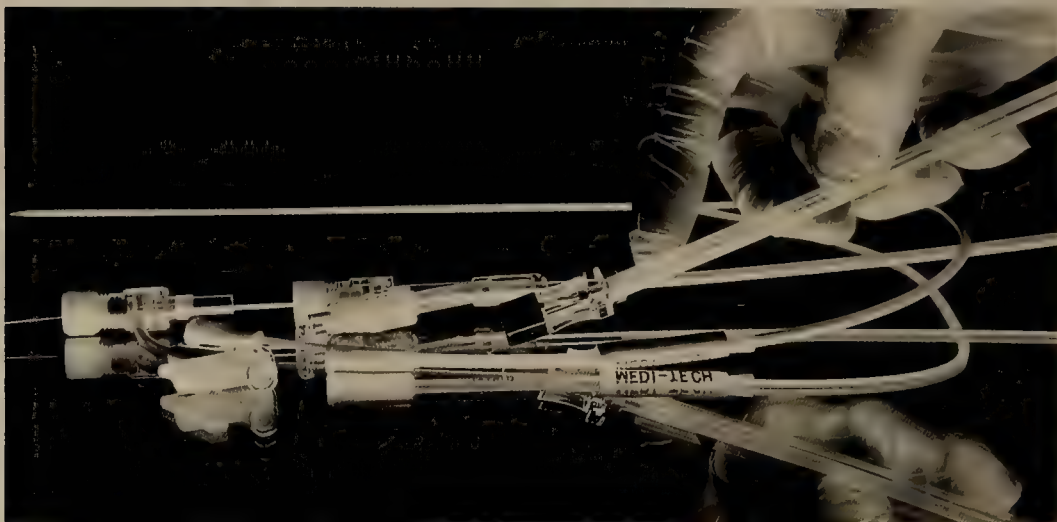
THE INDUSTRIAL DEVELOPMENT BOND RECORD

	Projects	Bond Amount	Jobs
1986/87 ⁽¹⁾	81	\$362,612,350	2200
Tax-exempt IDBs	74	\$211,312,350	1882
Taxable IDBs	7	\$151,300,000	318

THE IDB RECORD BY PROJECT TYPE ⁽²⁾

	Projects	Bond Amount	Jobs
INDUSTRIAL			
1978-1985	1717	\$2,454,820,140	73,932
1986-1987	59	131,600,350	2,140
Total	1776	\$2,588,980,490	76,072
COMMERCIAL			
1978-1985	319	\$ 575,441,520	
1986-1987	19	43,652,000	
Total	338	\$ 619,093,520	⁽³⁾
ENVIRONMENTAL / SOLID WASTE			
1978-1985	23	\$ 689,750,000	597
1986-1987	3	184,800,000	60
Total	26	\$ 874,550,000	657

(1) 1986/87 denotes period from January 1986 through June 1987
(2) IDB refundings not included in IDB total
(3) Because job creation in commercial projects is speculative, this figure is not included

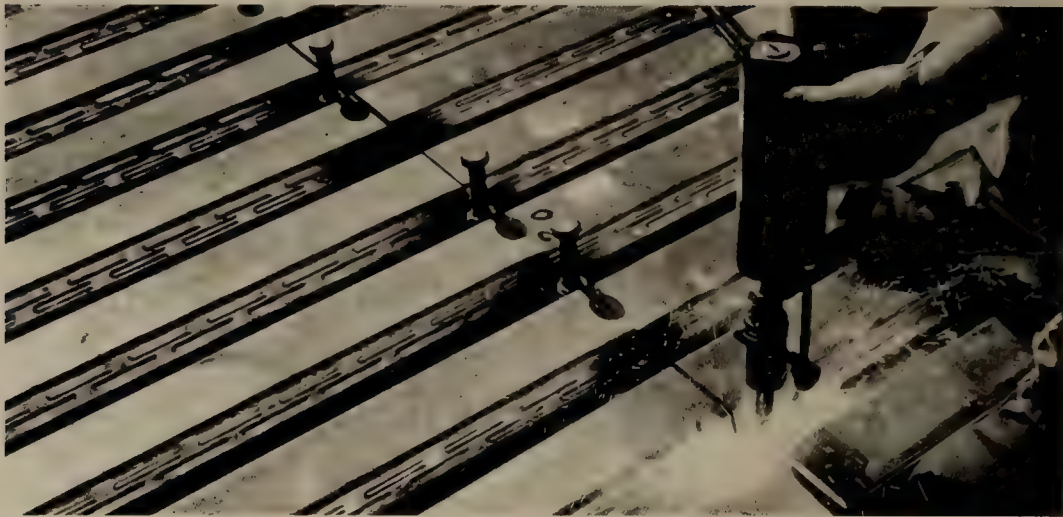


INDUSTRIAL DEVELOPMENT BOND PROJECT LISTING

Company	Location	Board Approval	Bond Amount	Taxable or Tax-exempt	Jobs
Jiffy Packaging Corp.	Beverly IDFA	1/86	\$ 1,750,000	T-E	50
Schlott Company, Inc.	Lawrence IDFA	1/86	600,000	T-E	*
The Standish Corporation	Taunton IDFA	1/86	639,800	T-E	50
Technical Plastics Corp.	N. Attleboro	1/86	3,000,000	T-E	16
Volterra, Goldberg & Manzetti	Attleboro	1/86	450,000	T-E	*
Zymark Corporation	Hopkinton IDFA	1/86	1,800,000	T-E	100
Cambridgeport Air Systems, Inc.	Salisbury	2/86	896,000	T-E	22
Clopax Corporation	Easton IDFA	2/86	550,000	T-E	5
Fall River Management	Fall River IDFA	2/86	400,000	T-E	*
Fall River Management	Fall River IDFA	2/86	1,450,000	T-E	*
Graphic Innovations, Inc.	Pittsfield IDFA	2/86	490,000	T-E	4
Iron Mountain Boston, Inc.	Boston IDFA	2/86	4,102,700	T-E	31
ASE Services, Inc.	Holliston	3/86	1,000,000	T-E	15
Atlantic Coast Paperboard Corp.	Lawrence IDFA	3/86	6,150,000	T-E	**
D.J. Fabricators, Inc.	Ipswich IDFA	3/86	1,200,000	T-E	13
LaVigne Press, Inc.	Worcester IDFA	3/86	750,000	T-E	11
Lehi Sheet Metal Corp.	Westborough IDFA	3/86	520,000	T-E	13
Mercantile Printing Co.	Worcester IDFA	3/86	540,000	T-E	7
San Lau Realty Trust	Andover IDFA	3/86	1,400,000	T-E	*
Orbit Plastics Corporation	Salisbury	3/86	600,000	T-E	6
Randolf and Baldwin, Inc.	Ayer	3/86	773,850	T-E	8
Screenprint, Inc.	Wilmington	3/86	1,650,000	T-E	50
Tog Mold Tool & Die Co.	Pittsfield IDFA	3/86	475,000	T-E	7
West Lynn Creamery, Inc.	Lynn IDFA	3/86	5,000,000	T-E	225
Gloucester Landing Associates	Gloucester	4/86	7,800,000	T-E	*
Combined Properties, Inc.	Chelsea	4/86	8,000,000	T-E	200
Cambridge Plating Company, Inc.	Belmont	7/86	1,800,000	T-E	4
Liberty Place Realty Trust	Newburyport	7/86	790,000	T-E	*
Jones Machine Co., Inc.	Danvers	7/86	500,000	T-E	15
Massachusetts AFL-CIO	Boston IDFA	7/86	962,000	T-E	*
Omnirel Corporation	Leominster	7/86	2,910,000	T-E	91
Southeastern Regional NMR Center	Brockton IDFA	7/86	2,300,000	T-E	8
312 Main Street Partnership	Great Barrington	8/86	350,000	T-E	*
Roman Marble, Inc.	Stoughton IDFA	8/86	995,000	T-E	20
M&M Realty Trust	Hudson	9/86	500,000	T-E	*
Massasoit Associates Limited Partnership	Springfield IDFA	9/86	2,500,000	T-E	*



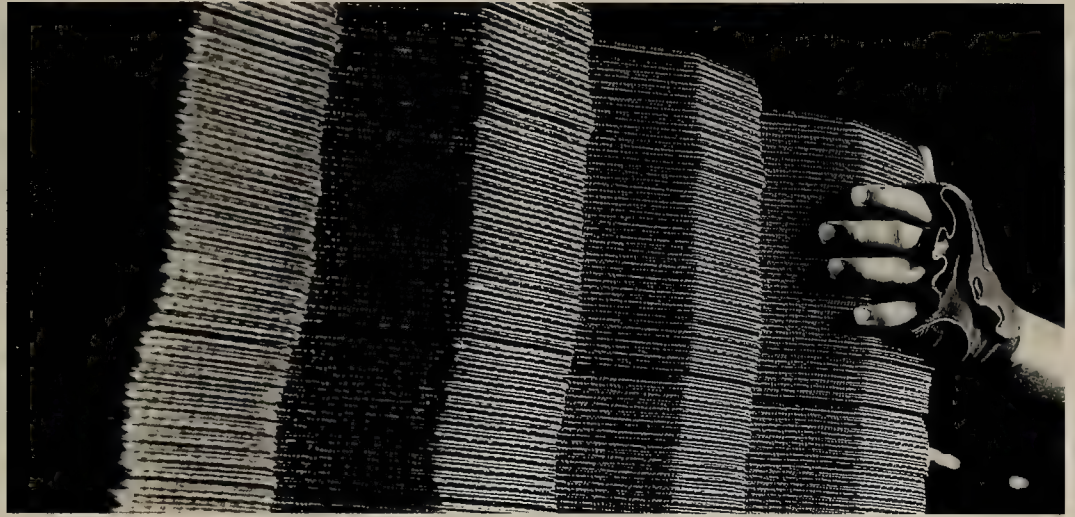
Company	Location	Board Approval	Bond Amount	Taxable or Tax-exempt	Jobs
Richard L. Kinchla	Falmouth	9/86	\$ 550,000	T-E	*
Douglas A. King Builders, Inc.	North Easton	11/86	2,250,000	T-E	*
Interpretive Data Systems	Brookline	11/86	4,500,000	T-E	*
Danvers Atrium Trust	Danvers	11/86	800,000	T-E	*
Lynn Fryer Manufacturing	Ipswich IDFA	11/86	1,035,000	T-E	10
Stetson Place Development Trust	Weymouth	11/86	600,000	T-E	*
Union Chemical Co.	Newburyport	11/86	858,000	T-E	4
Tech-Pak, Inc.	Peabody	11/86	4,275,000	T-E	25
Union Machine Co. of Lynn, Inc.	Peabody	11/86	2,100,000	T-E	25
Worcester Manufacturing Co., Inc.	Worcester IDFA	11/86	1,550,000	T-E	45
PAL Realty Trust	Lynn	12/86	4,000,000	T	25
Boston Scientific Corporation	Watertown	12/86	17,200,000	T	193
Hansen Engineering & Machinery Co., Inc.	Danvers	12/86	2,100,000	T	35
M.O.M., Inc.	North Reading	12/86	1,700,000	T	5
Milliken Associates Ltd. Partnership	Fall River IDFA	12/86	4,250,000	T-E	*
Ogden Haverhill Associates	Haverhill	12/86	31,265,000	T	60
Ogden Haverhill Associates	Haverhill	12/86	66,000,000	T-E	-
Ogden Haverhill Associates	Haverhill	12/86	87,535,000	T	-
Astrofoam, Inc.	Holden	12/86	3,510,000	T-E	60
Gilliam Associates	New Bedford IDFA	12/86	6,000,000	T-E	*
Brady Enterprises, Inc.	East Weymouth	12/86	2,080,000	T-E	10
Capri Custom Cabinetry Inc.	Plymouth	12/86	1,150,000	T-E	21
Eastern Container Corporation	Springfield	12/86	1,325,000	T-E	15
G.F. Sprague & Company, Inc.	Holbrook	12/86	680,000	T-E	10
Hero Coatings, Inc.	Newburyport	12/86	760,000	T-E	4
Cambridge Aero Instruments Inc.	Shirley	12/86	545,000	T-E	10
Quality Printing Co., Inc.	Pittsfield	12/86	550,000	T-E	17
Mar-Ell Distributors, Inc.	Walpole	12/86	1,755,000	T-E	25
Mentor O & O, Inc.	Norwell	12/86	2,500,000	T-E	47
Morse Manufacturing Co., Inc.	Sterling	12/86	980,000	T-E	50
Rand McNally & Company	Taunton IDFA	12/86	3,000,000	T-E	62
Richard A. Klein, Inc.	Wrentham	12/86	3,400,000	T-E	22
South Hadley House Care Associates	South Hadley IDFA	12/86	4,800,000	T-E	135
Stonehedge Convalescent	Boston IDFA	12/86	2,000,000	T-E	**
W.C. Bonner Company, Inc.	Hudson	12/86	2,900,000	T-E	25
Wilmington Fabricators, Inc.	Wilmington	12/86	5,165,000	T-E	30



Company	Location	Board Approval	Bond Amount	Taxable or Tax-exempt	Jobs
Zahn Dental Company, Inc.	Taunton IDFA	12/86	\$ 2,300,000	T-E	7
Alden Merrell Corporation	Newburyport	4/87	1,910,000	T-E	60
Astra Corporation	New Bedford	4/87	1,380,000	T-E	35
GEM Industries, Inc.	Gardner	4/87	1,145,000	T-E	50
Mariner Publications	Marshfield	4/87	1,020,000	T-E	12
The Pond-Ekberg Company, Inc.	Chicopee	4/87	895,000	T-E	5
Ramco Fabrics, Inc.	Fall River	4/87	3,840,000	T-E	80
Transistor Specialtys, Inc.	Danvers	4/87	1,360,000	T-E	10
Tierney Properties, Inc.	Pittsfield	6/87	7,500,000	T	*
Tax Exempt IDBs: 74 projects			\$211,312,350		1,882
Taxable IDBs: 7 projects			\$151,300,000		318
Grand Total: 81 projects			\$362,612,350		2,200

*Indicates commercial projects

**Indicates job retention



COMPOSITE POOL OFFERINGS

Company	Bond Amount	Letter of Credit	Participating Bank
TAX-EXEMPT IDB POOL/DECEMBER 1986			
GUARANTEED LOAN PROGRAM (GLP)			
Astrofoam, Inc.	\$ 3,510,000	Rabobank	Guaranty Bank & Trust Co.
Brady Enterprises, Inc.	2,080,000	Rabobank	Shawmut Bank of Boston
Cambridge Aero Instruments Inc.	545,000	Rabobank	Union National
Capri Custom Cabinetry, Inc.	1,150,000	Rabobank	Rockland Trust Company
Eastern Container Corporation, Inc.	1,325,000	Rabobank	Bank of New England - West
G.F. Sprague & Company, Inc.	680,000	Rabobank	Rockland Trust Company
Hero Coatings, Inc.	760,000	Rabobank	Shawmut County Bank
Mar-Ell Distributors, Inc.	1,755,000	Rabobank	Bank of Boston
Morse Manufacturing Co., Inc.	980,000	Rabobank	Bank of Boston
Quality Printing Company, Inc.	550,000	Rabobank	First Agricultural Bank
W.C. Bonner Company, Inc.	2,900,000	Rabobank	State Street Bank & Trust Co.
Wilmington Fabricators, Inc.	5,165,000	Rabobank	Union National
Total: 12 Projects	\$21,400,000		
TAXABLE IDB POOL/FEBRUARY 1987			
PAL Realty Trust	\$ 4,000,000	Essexbank	
Hansen Engineering & Machinery Co., Inc.	2,100,000	Essexbank	
M.O.M., Inc.	1,700,000	Essexbank	
Total: 3 Projects	\$ 7,800,000		
TAX-EXEMPT IDB POOL/MAY 1987			
GUARANTEED LOAN PROGRAM (GLP)			
Alden Merrell Corporation	1,910,000	Rabobank	Eastern Bank
Astra Corporation	1,380,000	Rabobank	Rockland Trust Company
GEM Industries, Inc.	1,145,000	Rabobank	Bank of New England
Mariner Publications	1,020,000	Rabobank	Fleet National Bank
The Pond-Ekberg Company, Inc.	895,000	Rabobank	Bank of New England - West
Ramco Fabrics, Inc.	3,840,000	Rabobank	Durfee-Attleborough Bank
Transistor Specialtys, Inc.	1,360,000	Rabobank	Essexbank
Total: 7 Projects	\$11,550,000		
Grand Total: 3 Pools	\$40,750,000		



MORTGAGE INSURANCE PROGRAM *

Company	Location	Insurance Amount
1986/87 MORTGAGE INSURANCE COMMITMENTS		
Astrofoam, Inc.	Holden	\$ 702,000
Brady Enterprises, Inc.	East Weymouth	1,040,000
Cambridge Aero Instruments Inc.	Shirley	109,000
Capri Custom Cabinetry, Inc.	Plymouth	575,000
Eastern Container Corporation, Inc.	Springfield	265,000
G.F. Sprague & Company, Inc.	Holbrook	136,000
Hero Coatings, Inc.	Newburyport	152,000
Mar-Ell Distributors, Inc.	Walpole	351,000
Morse Manufacturing Co., Inc.	Sterling	196,000
Quality Printing Company, Inc.	Pittsfield	110,000
W.C. Bonner Company, Inc.	Hudson	580,000
Wilmington Fabricators, Inc.	Wilmington	1,033,000
Alden Merrell Corporation	Newburyport	382,000
Astra Corporation	New Bedford	276,000
GEM Industries, Inc.	Gardner	229,000
Mariner Publications	Marshfield	204,000
The Pond-Ekberg Company, Inc.	Chicopee	179,000
Ramco Fabrics, Inc.	Fall River	768,000
Transistor Specialties, Inc.	Danvers	272,000
Total: 19 projects		\$ 7,559,000

OUTSTANDING MORTGAGE INSURANCE COMMITMENTS		
Merrimack Magnetics	Lowell	\$ 20,071
Berkshire Tanning Corporation	North Adams	62,408
Carr Leather	Lynn	154,347
Astro Circuit	Lowell	37,907
Northeast Offset	Chelmsford	16,654
Morgan Industries	Somerville	50,438
Bay West Associates	Boston	482,500
Spinale (EDA Machine)	Attleboro	200,509
Airex Corporation	Lowell	113,428
Cape Pond Ice Company	Gloucester	132,371
Falcone Piano Company, Inc.	Haverhill	501,447
Fields Hosiery Industries, Inc.	Stoughton	566,037
Huntington Homes, Inc.	Orange	596,835
Powell Corporation	Haverhill	230,900
Wellington Cold Storage & Warehouse Corp.	Medford	726,163
Total: 15 projects		\$ 3,892,015
Grand Total:		\$11,451,015

*Industrial Mortgage Insurance Fund



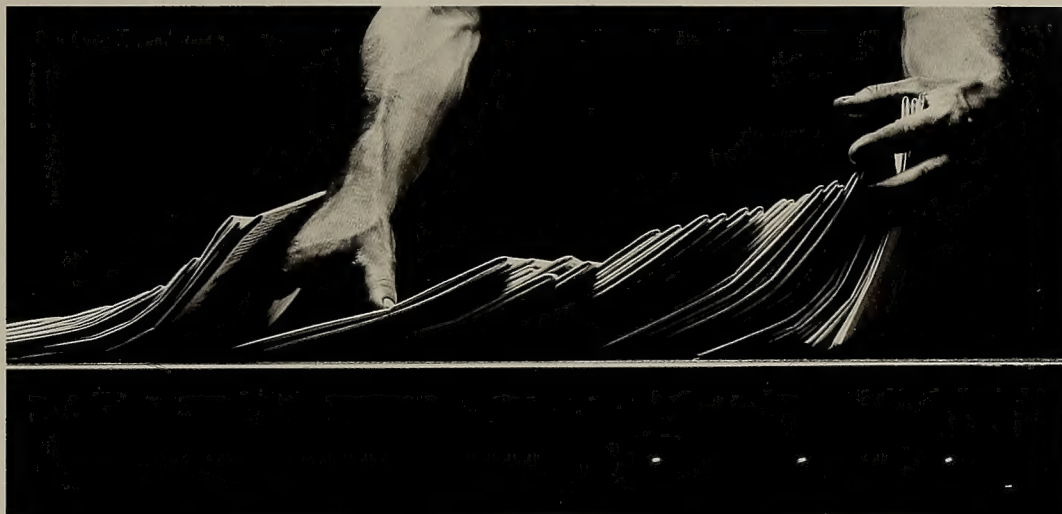
DIRECT LOAN PROGRAMS

Company	Location	Loan Amount
SEAFOOD LOAN PROGRAM		
Eastern Clam Corporation	Lakeville	\$ 100,000
Fall River Fishing Co., Inc.	Fall River	100,000
Fourth Cliff Lobster Wholesale Co.	Marshfield	150,000
Frontiero Brothers, Inc.	Gloucester	100,000
Hines & Smart Corporation	Chelsea	200,000
New England Fish Processors Coop.	Boston	202,000
North Atlantic Fish Co., Inc.	Gloucester	180,000
Seafood Marketing, Inc.	Boston	50,000
Total: 8 Projects		\$ 1,082,000
CHILD CARE FACILITIES LOAN FUND		
Central Mass Job Training	Worcester	\$ 25,000
Merrimack River Community Child Care	Lawrence	30,000
Total: 2 Projects		\$ 55,000
THRIFT FUND		
Clean Harbors of Braintree, Inc.	Braintree	\$ 3,500,000
Decorative Coverings, Inc.	Wakefield	2,000,000
Jet-A-Way, Inc.	Boston	500,000
Mass Protein Products Ltd.	New Bedford	3,200,000
Transcriber Company, Inc.	Attleborough	1,800,000
Broken Wharf Realty Trust	Plymouth	875,000
Total: 6 Projects		\$11,875,000



INDUSTRIAL DEVELOPMENT BOND REFUNDINGS

Company	Location	Refunded Amount
Agway Inc.	Bernardston	\$ 1,800,000
Aid-Pak, Inc.	Gloucester	1,123,700
Citizens Utility Company	Agawam	31,000,000
Hamilton House Nursing Home	Needham	2,700,000
Lafayette Place Parking Associates	Boston	18,700,000
Museum of Fine Arts	Boston	17,140,000
New England Tape Company	Hudson	920,000
Ogden Haverhill Associates	Haverhill	38,475,000
Polycon Inc.	Woburn	650,000
Polyvinyl Films Inc.	Sutton	550,000
Technical Aid Corporation	Newton	1,745,000
Total: 11 Projects		\$114,803,700



BOARD OF DIRECTORS

Chairman

Robert L. Beal
Executive Vice President
The Beal Companies, Inc.

Vice-Chairman

David F. Squire
Trustee and Former Vice President
Brandeis University

Treasurer

Ronald A. Homer
President and Chief Executive
Officer
Boston Bank of Commerce

Edward P. McCann

Former Area Director
Communications Workers of
America

Janet M. Pavliska

President and Chief Executive
Officer
Bank Five for Savings

Joseph D. LoBello

Executive Vice President
Bank of New England - West

Frank T. Keefe

Secretary
Executive Office of Administration
and Finance

Joseph D. Alviani

Secretary
Executive Office of Economic Affairs

Paul Tortolani

Commissioner
Department of Commerce &
Development

EXECUTIVE DIRECTOR

Brian T. Carty

The Massachusetts Industrial Finance Agency is an independent public agency established to stimulate private investment and job creation through a variety of financing incentives. MIFA provides a link between the public and private sectors, acting as the state's investment banker for Massachusetts' growing businesses.

TAXABLE IDB PROGRAM

Taxable IDBs are available for a wide range of industrial and commercial capital expansions including manufacturing, warehouse and distribution, and research and development projects. Bond proceeds can be used for the acquisition, construction, or renovation of buildings and land, or for the purchase of equipment. Taxable IDBs can also be used to refinance existing asset-based debt.

While these bonds are subject to federal income taxes, several features create attractive and competitive financing terms, including: 1) MIFA has the unique ability to issue securities which are exempt from the state income tax; 2) the bonds are not subject to complex IRS restrictions placed on tax-exempt IDBs; 3) Taxable IDBs can be sold in public and private markets normally reserved for larger companies; 4) Taxable IDBs can be structured to accommodate specific amortization and repayment terms; and 5) there are no size restrictions.

TAX-EXEMPT IDB PROGRAM

Tax-exempt IDBs can be used by manufacturers planning to construct new facilities, expand or renovate an existing facility, or purchase new equipment. Qualified not-for-profit organizations are also eligible. The federal tax laws have reduced the availability of tax-exempt financing. The IRS Code definition of "manufacturing" has been tightened; therefore bond proceeds must be used for

an expansion project where "tangible" products are being produced. Commercial projects and warehouse and distribution facilities are no longer eligible.

GUARANTEED LOAN PROGRAM

The Guaranteed Loan Program (GLP) provides access to the public credit market for smaller, growing companies in Massachusetts by pooling either tax-exempt or taxable IDBs into one larger bond issue for fixed rate financing. Pooling several bonds reduces issuance costs for each individual borrower and creates the size necessary to attract investors. The GLP involves a financial structure — using letters of credit and MIFA insurance — to enhance the credit of unrated companies and guarantee purchasers that the bonds will be repaid.

MORTGAGE INSURANCE PROGRAM

The Mortgage Insurance Program (MIP) helps smaller businesses obtain the full amount of expansion capital necessary to complete growth plans. With MIFA insuring a portion of a loan, businesses can borrow more of a project's cost; lenders can increase loan amounts without increasing their net exposure. MIFA will insure conventional loans as well as IDB financings. Insured amounts range from 10 to 40% of the loan, with a ceiling of \$500,000 for real estate and \$250,000 for equipment.

CURRENT REFUNDING PROGRAM

The Current Refunding Program enables those past manufacturing and commercial tax-exempt IDB recipients affected by "gross-up" clauses to refund their previous bond through a new tax-exempt issue. "Gross-up" clauses were triggered by the lower corporate tax rates in the new federal tax code. Bonds without gross-up

clauses are also eligible for refunding. By refunding, companies can restructure debt to take advantage of changing markets.

SEAFOOD LOAN FUND

MIFA's Seafood Loan Fund provides low rate, fixed financing for companies engaged in the seafood processing industry. The Fund is targeted to four areas of innovation: 1) utilization of fish by-products; 2) improved product quality; 3) surimi production; and 4) improved distribution and marketing. Direct loans up to \$200,000 are available to finance innovative or modernized equipment and technologies to enhance the competitiveness of the Commonwealth's seafood industry.

CHILD CARE FACILITIES LOAN FUND

The Child Care Facilities Loan Fund provides direct loans up to \$250,000 to companies, developers, and non-profit organizations to be used for acquisition, renovation, construction, and permanent installation of equipment for on-site facilities. Through this program, companies can obtain the low-cost capital necessary to provide employees with convenient child care. MIFA's Child Care Facilities Loan Fund is the largest such fund in the country.

THRIFT FUND

MIFA is one of four quasi-public authorities designated to originate, service and monitor direct loans from the Thrift Institutions Fund for Economic Development, a \$100 million pool of capital specifically designed to serve businesses that cannot finance conventionally. Priority is given to projects that create significant numbers of new jobs in areas of high unemployment. MIFA originates all Thrift Fund loan requests over \$250,000 for plant expansions and equipment purchases.

MASSACHUSETTS INDUSTRIAL FINANCE AGENCY

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